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To the Honorable Commissioner of Patents and Trademarks, attached original documents or copy thereof.

1. Name of conveying party(ies):  
NQ Environmental, Inc.  
975 Middle Street, Suite J  
Middletown, CT 06457-1526

2. Name and address of receiving party(ies):  
Name: First National Bank of New England

Internal Address: \_\_\_\_\_

Street Address: One Commercial Plaza

City: Hartford State: CT ZIP: 06103

Additional name(s) & address(es) attached?  Yes  No

Additional name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:  
 Assignment  Merger  
 Security Agreement  Change of Name

Other \_\_\_\_\_

Execution Date: September 30, 1998

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is: N/A

A. Patent Application No.(s)

1. 09/113,720

B. Patent No.(s)

1. 5,616,172

Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Heather W. Bucknam, Esq.

Internal Address: Updike, Kelly & Spellacy, P.C.

Street Address: One State Street, P.O. Box  
231277

City: Hartford State: CT ZIP: 06123-  
1277

6. Total number of applications and patents involved: 2

7. Total fee (37 CFR 3.41):..... \$ 80.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

(Attach duplicate copy of this page if paying by deposit account)

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9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Heather W. Bucknam

Name of Person Signing

Heather W. Bucknam

Signature

9/30/98

Date

Total number of pages comprising cover sheet:

1

## PATENT SECURITY AGREEMENT

### THE PURPOSE OF THIS AGREEMENT IS TO CREATE A SECURITY INTEREST

AGREEMENT dated as of September 30, 1998, between NQ ENVIRONMENTAL, INC., a Connecticut corporation, with a principal place of business at 975 Middle Street, Suite J, Middletown, Connecticut (the "Company") and FIRST NATIONAL BANK OF NEW ENGLAND, with an office at One Commercial Plaza, Hartford, Connecticut 06103 (the "Lender").

**BACKGROUND.** Pursuant to the terms and provisions of a promissory note executed by the Company in favor of the Lender dated of even date herewith (the "Note") and documentation related thereto which evidences, secures and/or governs the Note (collectively, along with the Note, the "Financing Agreements"), the Lender has extended a loan in the original principal amount of \$850,000 (the "Loan"). Part of the inducement for Lender to extend the Loan to the Company is the execution by the Company of this Agreement. Payment of the Loan and the payment or performance of any other obligations of the Company to the Lender pursuant to the Financing Agreements or any other obligations from the Company to Lender whether now existing or hereafter arising as set forth more particularly in the Financing Agreements, which definition is incorporated herein by reference (collectively, the "Obligations"), are to be secured by, among other things, the security interests created hereby.

NOW THEREFORE, in consideration of the premises, and as an inducement to the Lender to enter into the Financing Agreements and to extend the Loan contemplated hereby, the Company hereby agrees with the Lender as follows:

1. **Grant of Security Interest.** In order to secure payment of the Loan and any other Obligations, the Company hereby pledges, assigns and grants to the Lender a continuing security interest in and lien on all of the Company's: (i) patents, patent applications and patentable inventions, and the United States and foreign country registrations therefor (including but not limited to, those listed in Schedule A attached hereto and made a part hereof) (individually, a "Patent" and collectively, the "Collateral"); (ii) common law rights to any of the Collateral; (iii) right to sue in Lender's own name or joined with the Company, for past, present or future infringements thereof; (iv) any continuations, divisions, substitutes, reissues, renewals and/or extensions thereof; (v) rights corresponding to any of the foregoing throughout the world, all whether now existing or hereafter arising; (vi) all rights to income, royalties, profits, awards, damages, or other rights relating to the Collateral; and (vii) proceeds of any of the foregoing. Without limiting the generality of the foregoing, the Company hereby further grants, assigns and conveys to Lender an exclusive license under and to the Collateral for the purpose of enforcing all of Lender's rights and remedies under this document and the Financing Agreements. Any right to sue shall be discretionary and not an obligation of Lender.

2. **Covenants and Warranties of the Company.** The Company covenants and warrants that:

(a) The Collateral is subsisting and has not been adjudged invalid or unenforceable, in whole or in part;

(b) The Company is not a party to any license of any Patent as licensor or as a licensee under any license agreements material to its business;

(c) To the best of the Company's knowledge, each of the Patents is valid and enforceable;

(d) To the best of the Company's knowledge, no claim has been asserted by any third party that any of the Patents are invalid or unenforceable;

(e) To the best of the Company's knowledge, no claim has been made that the practice of any of the Patents does or may violate the rights of any third person;

(f) Except for the security interest and conditional assignment created by this Agreement, the Company is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, free and clear of any liens, security interests, or infringements of any nature whatsoever. No effective assignment or financing statement or other instrument similar in effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of the Lender relating to this Agreement or for which duly executed termination statements have been recorded or delivered to the Lender; and

(g) the Company has the unqualified right to enter into this Agreement and perform its terms.

The Company agrees that, until all of the Obligations shall have been satisfied in full, it will not enter into any agreement which is inconsistent with the Company's obligations, duties and liabilities under this Agreement.

The Company further agrees that it has the obligation, at its own cost, unless otherwise consented to in writing by the Lender:

(h) To take all actions necessary to properly maintain and renew all Collateral which are or may become subject hereto for the full term or terms allowed by law including but not limited to the appropriate and timely payment of any required fees and the appropriate and timely filing of any documents or declarations necessary to maintain and renew said Collateral which may be necessary or appropriate under applicable law;

(i) To file new applications to register and protect under applicable law all patentable inventions acquired by the Company but for which applications have not previously been filed or to take all other actions necessary to cause the Collateral to be issued as a result of said applications; and

(j) To protect such Collateral from infringement, unfair competition or dilution or damage by all appropriate actions including the commencement of legal action to prevent and recover damages for said infringement and to defend such Collateral from claims of infringement, unfair competition or damage including the defense or any legal actions making such claims.

3. Additional Patents. If, before the Obligations shall have been satisfied in full, the Company shall obtain rights to any new Patent or become entitled to the benefit of any Patent application or any reissue, renewal and extension of any Patent, the Company shall give to the Lender prompt notice thereof in writing and the provisions of Paragraph 1 shall apply thereto.

4. Modifications. The Company authorizes Lender to modify this Agreement by amending Schedule A to include any renewals, extensions or additions to any Patent utilized by the Company or applied for or obtained hereafter and any renewals, extensions, or additions thereto and any improvements thereon.

5. No Other Liens. The Company shall not permit or suffer to exist any lien or security interest upon the Collateral.

6. Events of Default. For the purpose of this Agreement, an event of default shall mean a "default" as set forth in the Financing Agreements which definition is incorporated herein by reference.

7. Remedies. In case any one or more Events of Default shall have occurred, Lender shall have, in addition to all other rights and remedies given it by this agreement and the Financing Agreements, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Collateral may be located.

8. Additional Rights of Lender. After the occurrence of an Event of Default, Lender shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce its rights in the Collateral and any license thereunder, in which event the Company shall at the request of Lender do any and all lawful acts and execute any and all proper documents required by Lender in aid of such enforcement and the Company shall promptly, upon demand, reimburse and indemnify Lender for all costs and expenses incurred by Lender in the exercise of its rights under this Section.

9. No Waiver. No failure on the part of Lender to exercise, and no delay in exercising any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by Lender of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to Lender or allowed it by law or other agreement, shall be cumulative and not exclusive the one of any other, and may be exercised by Lender from time-to-time.

10. Further Assurances; Filing. The Company agrees to execute and deliver to Lender, Uniform Commercial Code financing statements and such other documents, instruments,

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supplemental security agreements and chattel mortgages as Lender may deem necessary, proper or desirable in obtaining the benefits of this document, and the Company hereby authorizes Lender to effect any filing or recording of any such financing statement or statements relating to the Collateral or amendments thereto without the signature of the Company where lawful, and hereby appoints Lender as its attorney-in-fact to execute any such financing or other statement or statements in the name of the Company, and to perform all other acts which Lender deems appropriate to perfect and continue the security interests in, and to protect and preserve, the Collateral. The Company further agrees to assign to Lender its rights in or under any financing statements relating to the Collateral and filed in favor of the Company.

11. **Expenses.** The Company agrees that all costs and expenses (including attorneys' fees and expenses for legal services of every kind) of, or incidental to, the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, custody, care, management, sale or collection of, or realization upon, any of the Collateral or in any way relating to the enforcement or protection of the rights of Lender, or in defending or prosecuting any actions or proceedings arising or related to the Collateral, shall all be borne and paid by the Company on demand by Lender and until paid shall become part of the Obligations secured hereby. Lender may at any time apply to the payment of all such costs and expenses all moneys of the Company or other proceeds arising from the possession or disposition of all or any portion of the Collateral.

12. **Notices.** All notices, requests, approvals, demands and other communications given or made in connection with the terms and provisions of this Agreement shall be deemed to have been given or made when sent by registered mail, in accordance with the provisions of the Financing Agreements.

13. **Successors.** All the provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

14. **Termination.** Upon the payment in full of all amounts due under the Loan and payment and performance of all other Obligations of the Company to Lender, Lender shall execute and deliver to the Company, at the Company's sole cost and expense, any deeds, assignments or other instruments as may be reasonably necessary to re-vest in the Company full title to the Collateral.

15. **Remedies Cumulative.** All of Lender's rights and remedies with respect to the Collateral, whether established hereby or by the Financing Agreements, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently.

16. **Severability.** The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

17. Waivers. THE COMPANY HEREBY: (A) WAIVES TRIAL BY JURY IN ANY COURT AND IN ANY SUIT, ACTION OR PROCEEDING ON ANY MATTER ARISING IN CONNECTION WITH OR IN ANY WAY RELATED TO THE FINANCING TRANSACTIONS OF WHICH THIS AGREEMENT IS A PART AND/OR THE ENFORCEMENT OF ANY OF LENDER'S RIGHTS AND REMEDIES, INCLUDING WITHOUT LIMITATION, TORT CLAIMS; AND (B) ACKNOWLEDGES THAT THE LOAN SECURED HEREBY IS A COMMERCIAL TRANSACTION AND WAIVES ITS RIGHTS UNDER CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES OR AS OTHERWISE ALLOWED BY ANY STATE OR FEDERAL LAW TO (I) NOTICE AND PRIOR COURT HEARING OR COURT ORDER IN CONNECTION WITH ANY AND ALL PREJUDGMENT REMEDIES TO WHICH THE LENDER MAY BECOME ENTITLED BY VIRTUE OF ANY DEFAULT OR PROVISION OF THIS AGREEMENT, AND (II) REQUEST THAT THE LENDER POST A BOND, WITH OR WITHOUT SURETY, TO PROTECT SAID COMPANY AGAINST DAMAGES THAT MAY BE CAUSED BY ANY PREJUDGMENT REMEDY SOUGHT OR OBTAINED BY THE LENDER BY VIRTUE OF ANY DEFAULT OR PROVISION OF THIS AGREEMENT, AND FURTHER, WAIVES DILIGENCE, DEMAND, NOTICE OF NONPAYMENT, PROTEST AND NOTICE OF PROTEST, OR OTHER ACTION TAKEN IN RELIANCE HEREON AND ALL OTHER DEMANDS AND NOTICES OR ANY DESCRIPTION IN CONNECTION WITH THIS AGREEMENT, AND ALL RIGHTS UNDER ANY STATUTE OF LIMITATIONS. THE COMPANY ACKNOWLEDGES THAT IT MAKES THE FOREGOING WAIVERS KNOWINGLY, VOLUNTARILY AND ONLY AFTER CONSIDERATION OF THE RAMIFICATIONS OF THE FOREGOING WAIVERS WITH ITS ATTORNEYS. THE COMPANY FURTHER ACKNOWLEDGES THAT NO PARTY TO THIS AGREEMENT HAS AGREED WITH OR REPRESENTED TO THE COMPANY OR ANY OTHER PARTY HERETO THAT THE PROVISIONS OF THIS PARAGRAPH WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

18. Governing Law, Jurisdiction, Venue and Service. The validity and interpretation of this Agreement and the rights and obligations of parties under this Agreement and the Financing Agreements shall be governed by and construed in accordance with the law of the State of Connecticut (but not its conflicts of law provisions). The Company agrees that the Superior Court for the Judicial District of Hartford, Connecticut or the United States District Court for the District of Connecticut at Hartford shall have jurisdiction to hear and determine any claims or disputes pertaining to the financing transactions of which this Agreement is a part and/or the Financing Agreements or to any matter arising or in any way related to this Agreement and/or any of the Financing Agreements, and expressly submits and consents in advance to such jurisdiction and venue in any action or proceeding.

If for any reason the Company is not subject to service of process in the State of Connecticut at any time when any indebtedness under the Financing Agreements or this Agreement is outstanding, the Company hereby designates and appoints, without power of revocation, the Secretary of the State of Connecticut as its agent upon whom may be served all process, pleadings, notices or other papers which may be served upon it as a result of any of its obligations under this Agreement.

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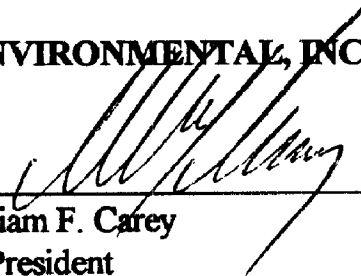
For such time as any indebtedness under the Financing Agreements or this Agreement is outstanding, the Secretary of the State of Connecticut shall accept and acknowledge on the Company's behalf, and as the Company's agent, services of any and all process in any such suit, action or proceeding brought in any such court. The Company agrees and consents that any such services of process upon such agent and written notice of such service to the Company by registered mail shall be taken and held to be valid personal service upon the Company and that any such service of process shall be of the same force and validity as if services were made upon it according to the laws governing the validity and requirements of such service in such state, and waive all claim of error by reason of any such service. The Lender, however, agrees to give the Company written notice, at the most recent address provided by the Company to Lender in writing for such purpose, of the commencement of any legal action against the Company in Connecticut.

19. **Modification.** This Security Agreement is subject to modification only by a writing signed by the parties.

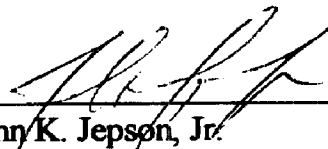
IN WITNESS WHEREOF, the parties have caused these presents to be executed and their respective seals hereunder affixed as of the day and year first above written.

Signed, Sealed and Delivered  
in the Presence of:

**NQ ENVIRONMENTAL, INC.**

By   
William F. Carey  
Its President  
duly authorized

**FIRST NATIONAL BANK OF NEW  
ENGLAND**

By   
John K. Jepson, Jr.  
Its Senior Associate  
duly authorized

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**PATENT  
REEL: 9525 FRAME: 0377**

STATE OF CONNECTICUT )  
 ) ss. Hartford  
COUNTY OF HARTFORD )

Before me, the undersigned, this 30th day of September, 1998, personally appeared William F. Carey, known to me to be the President of NQ ENVIRONMENTAL, INC., and that he as such officer, signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his free act and deed individually and as such officer, and the free act and deed of said corporation.

In Witness Whereof, I hereunto set my hand.



~~Notary Public~~  
~~My Commission Expires:~~  
Commissioner of the Superior Court

STATE OF CONNECTICUT )  
 ) ss. Hartford  
COUNTY OF HARTFORD )

Before me, the undersigned, this 30th day of September, 1998, personally appeared John K. Jepson, Jr., known to me to be the Senior Associate of First National Bank of New England, and that he as such officer, signer and sealer of the foregoing instrument, acknowledged the execution of the same to be his free act and deed individually and as such officer, and the free act and deed of said corporation.

In Witness Whereof, I hereunto set my hand.



~~Notary Public~~  
~~My Commission Expires:~~  
Commissioner of the Superior Court



Schedule A

**“UNITED STATES PATENTS AND PATENT APPLICATIONS”**

of

**NQ ENVIRONMENTAL, INC.**

- Patent No. 5,616,172 issued April 1, 1997 to Tuckerman et al. entitled “Air Treatment System”
- Application Serial No. 09/113,720 filed July 10, 1998, applicants: Russell P. Knuth & William F. Carey, entitled “Air Purification System”